Senate bill 261 and 17-7-440 cuts explainer

Is there a 1% provider rate cut in Senate Bill 261?

No. There is no mention of "1%" anywhere in SB 261. While some lobbyists have referred to a $3.5 million cut in Section 21 of SB 261 as "the 1% cuts," a 1% provider rate cut isn't anywhere in the bill the legislators wrote, voted for, and passed.

What SB 261 requires

- SB 261 said that if revenue didn't come in at the levels the majority claimed, DPHHS would have to take the amounts provider rates are cut by that are listed in SB261, add them together, and cut provider rates across the board by whatever percentage necessary to get to that amalgamated total ($14 mil). (Section 21, SB 261)

- The department didn't have any choice in these cuts because they were mandated by the legislature. The legislative majority forced the governor to sign SB 261 or shut down the government, which would not only have been fiscally irresponsible it would have immediately harmed vulnerable people.

Senate Bill 261 Components as required by Section 21	Source	Amount in millions (rounded)
Applying a .5% across the board cut to all general fund appropriations	Required in Section 12 of SB 261	-$1.423 mil general fund
$3.5 million cut in Section 21 of SB 261.	Section 21 of SB 261	-$3.5 mil general fund
Federal funds lost		-$9.3 total federal funds
TOTAL in SFY 2018	Section 21, SB 261	**-$14,255,435**

If the amount of the required cut were spread over 12 months, the rate reduction would have been 1.4%. But because of the interim committee delay, the savings had to be realized in 6 months, which increased the rate to 2.99% for state fiscal year 2018.

SB 261 required DPHHS to apply the provider rate cuts to all Medicaid provider types equally, which meant the cuts apply to all Medicaid categories, including standard Medicaid, kids, seniors, HELP Act, mental health– and even beneficial programs that could save money in the long run.

Why did the department lower the rate reduction from 3.47% to 2.99%.

- Based on legislative feedback, the department was able to amend rate changes to two reductions passed by the 2017 legislature instead of including other cuts from HB 2.
    - SB 261 section 21
    - Medicaid share of SB 261 section 12,
- During the special session the legislature amended HB 2 to incorporate changes from the 2017 session that were made by several bills, including SB 261. They also made the 17-7-440 cuts permanent – setting a new, lower base budget for many critical DPHHS programs.

If the committee had continued voting to erect these procedural hurdles to the rates, DPHHS would have been forced to make cuts elsewhere, in ways that would have been more harmful to people - likely eliminating services to more vulnerable populations.

What guided the Department's 17-7-440 special session proposals?

17-7-440 required cuts to general fund. Under the provisions in 17-7-440, the Governor is restricted by law and can only make reductions to general fund appropriations. The Legislature has the power to make cuts to general and non-general fund appropriations.

Medicaid is jointly funded by the federal government and states. In some areas, Montana made policy decisions to offer additional services for vulnerable populations beyond what was required by federal law and/or authorized for federal funding. Such programs are, by necessity, funded with state general funds--and because the amount the state had to cut was so large, there wasn't anywhere else to cut.

The department's leadership did its best to:

- identify cuts that would be the least harmful to Montanans as possible, such as cutting state staff, vacancy savings, reducing administrative costs, and cutting program operations
- reduce services or rates rather than eliminate services, since eliminated services are the hardest to restore
- protect the most vulnerable populations, with the lowest incomes and most acute conditions first, to the extent possible,
- make every attempt to minimize the loss of federal funds

However, because the amount DPHHS was forced to cut was so large – more than $100 million, the department was forced to make cuts that none of us would ever choose but the majority in the Legislature failed to provide any other option. More information

How are provider rates set in Montana?

Provider rates are factored into the budget requests proposed by agencies and passed by the legislature. Following appropriation, the department implements provider rate changes by administrative rule within the parameters of legislative appropriations. Because Medicaid is not one monolithic program but a variety of different programs designed to provide different services for different populations, rates are based on a variety of factors including: cost, quality, outcomes, providers, policy goals, federal requirements, facility type, provider type, etc. See page 33 of the Montana Medicaid report.

How does Montana's Medicaid budget compare to other states?

Montana ranks right in the middle (27th) for average Medicaid spending per person. When it comes to children, we rank 15th in the US in Medicaid spending per person. [*Source: Kaiser Family Foundation 2014 data (most recent available)*]

About 24.9% of Montanans are covered by Medicaid and CHIP combined, which is consistent with the national average of 23.9-. Montanans, like those in most rural states, are not among the most wealthy. (We rank 37th in median household income.)

Montana spends less of its budget on Medicaid than other states on average.

	Total budget (including state and federal funds)			State-funded budget		
	Total spending as a share of total budget			State-funded spending as a share of state-funded budget		
	Medicaid	K-12 education	Higher education	Medicaid	K-12 education	Higher education
US Avg	28.2%	19.5%	10.1%	15.8%	24.1%	13.1%
Montana	17.4%	15.8%	10.4%	8.6%	20.0%	14.8%

Source: MACPAC